

## **2013 BUDGET LEGISLATION FISCAL NOTE**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
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### **Legislation Title:**

AN ORDINANCE relating to financing the solid waste system of The City of Seattle, Washington; adopting a system or plan of additions and betterments to and extensions of the solid waste system; authorizing the issuance and sale of solid waste revenue bonds, in one or more series, for the purposes of paying all or part of the cost of carrying out that system or plan, providing a bond reserve and paying the costs of issuing and selling the bonds; authorizing the execution of certain agreements relating thereto; providing for the terms, conditions, covenants and manner of sale of the bonds; describing the lien of the bonds; creating certain accounts of the City relating to the bonds; and ratifying and confirming certain prior acts.

### **Summary of the Legislation:**

This legislation provides the legal authorization to issue up to \$50 million of bonds for Seattle Public Utility's Solid Waste System, as assumed in the 2013 Endorsed Budget and the Proposed 2013-2018 Capital Improvement Program (CIP).

### **Background:**

Although the Budget, CIP, and adopted rates make specific assumptions about the use of debt financing for a certain share of the CIP, separate authorization for the issuance of bonds is technically required.

The Solid Waste bond sale is anticipated to occur in early to mid 2013. The bond proceeds, combined with internally generated funds, will support the Solid Waste capital program for about 24 months.

The bond sizing is based on the adopted budget and rates, planned cash flow, and cash contribution targets. The bond proceeds will be used to make a deposit to the construction fund, to meet a required debt service reserve requirement, and to pay issuance costs.

The proposed issue is for 25-year, fixed-rate bonds. Total annual debt service is expected to be about \$3 million starting in 2014. SPU's proposed 4.6% rate increase for 2013 incorporates the debt service costs resulting from this bond issue.

Major projects supported by the bond issue include completion of the South Transfer station and initiation of construction of the new North Transfer Station. For further information about SPU's capital projects, please see the Proposed 2013-2018 CIP.

Please check one of the following:

☐ **This legislation does not have any financial implications.**

☒ **This legislation has financial implications**

**Other Implications:**

- a) Does the legislation have indirect financial implications, or long-term implications?

Seattle Public Utilities will be obligated to pay annual debt service on these bonds through their term

- b) What is the financial cost of not implementing this legislation?

Financing the utility's CIP completely from cash would require massive cuts in capital and/or operating programs or massive rate increases. Since the capital improvements financed with this debt have a long useful life and interest rates are currently low, it is more practical to spread the costs of these improvements over current and future beneficiaries by issuing bonds.

- c) Does this legislation affect any departments besides the originating department?

This legislation affects FAS, which will coordinate the issuance of bonds

- d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

There are no viable alternatives aside from financing the Solid Waste System's CIP completely from cash. As noted above, this would require massive cuts in capital and/or operating programs or massive rate increases or some combination of both.

- e) Is the legislation subject to public hearing requirements? None

- f) Other Issues: None

Please list attachments to the fiscal note below: